

CONNECTICUT AUTOMOTIVE RETAILERS ASSOCIATION

36 TRUMBULL STREET
HARTFORD, CONNECTICUT 06103

James T. Fleming
President

Telephone: (860) 293-2500

Facsimile: (860) 527-2582

Testimony of Mr. James Fleming of Simsbury, Connecticut
Before the Connecticut General Assembly
Joint Standing Committee on Transportation
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Senator Maynard, Representative Guerrera and members of the committee,

My name is James Fleming; I am the president of the Connecticut Automotive Retailers Association (CARA) a trade organization that represents the 265 licensed and franchised new car dealers in the state of Connecticut.

I am submitting testimony in favor of Proposed H.B. No. 5384 AN ACT CONCERNING THE ISSUANCE OF TEMPORARY MOTOR VEHICLE REGISTRATIONS BY AUTOMOBILE DEALERS TO BUYERS WITH CERTAIN LOCAL ENFORCEMENT ISSUES.

The proposed legislation would allow the Commissioner of DMV to issue a 14 day temporary vehicle registration certificate and non permanent marker plate to any person for a newly purchased motor vehicle, when such person owes delinquent local property taxes on a motor vehicle(s). This legislation will raise nearly \$5 million dollars for the state, assist towns and local law enforcement, and equitably provide consumers with a grace period to address delinquent local property taxes.

Until July of 2012 all licensed on line auto dealers who sell more than 25 vehicles per month were allowed to issue a 60 day temporary vehicle registration certificate to customers who were delinquent on local property taxes on another vehicle.

For the record this included all the 265 CARA dealers who are franchised and sell new cars as well as used vehicles. Last year CARA dealers sold new and used vehicles with a total sales value of nearly \$9 BILLION dollars. This accounts for more than 15% of all retail sales in the state. This figure does not include the sales from some 1000 other licensed smaller used car dealers's that CARA does not represent.

To understand this issue and its importance to auto retailing in this state it is necessary to have the history of how dealers originally got into the business of registering cars at their dealerships. It is significant to note that dealers did not ask to perform this service; dealers were requested to assume this service by the state as a condition of licensure.

For 20 years the DMV has required larger dealers to self register via the On Line System the vehicles that they sell. DMV has allowed all such dealers to issue 60 day temporary registration certificates for various reasons including the registrion of vehicles for customers that are

delinquent on vehicle property taxes. This process was put in place during the Weicker Administration, to help resolve the last budget crisis. Auto dealers at DMV's request agreed to assume the cost and expense of registering motor vehicles sold at their dealerships. Presently, 40% of all Connecticut registrations are done as a courtesy to customers at the dealership. **The original agreement with the DMV was that dealers would not have to intervene on behalf of local government to enforce collection of local taxes from customers.**

Until last summer dealers issued a temporary 60 day certificate in lieu of issuing permanent registrations to such delinquent taxpayers. This allowed the dealer to sell the vehicle and for the customer to drive the car home and deal with the tax issue at town hall during the grace period.

Since July of 2012 DMV has prohibited such transactions and no such temporary registrations have been allowed or performed. Dealers must now reject consumers and send them away until they resolved their tax issues, thus losing the sale. I must stress that the delinquent taxes at issue have nothing to do with the new car that dealers are selling. This new policy has created at times a confrontational situation for dealership personnel. Unlike the local tax collectors office or DMV offices who are equipped to manage these situations; dealers do not have panic buttons to summon assistance if a taxpayer becomes irate.

I believe that one of the reasons for this change of policy is that of the DMV's modernization system (CIVILS), which is much needed and which dealers support, has been having some implementation difficulties. It was hoped that the new system would be up and running by November of 2012, but now has been delayed until September of 2013 due to technical difficulties. One of the down sides to the new system is that it cannot easily accommodate temporary registration certificates. This creates a situation where neither a dealer nor the customer is aware of a tax issues until the very end of the hours long selling process is complete. Angry customers leave and frustrated dealerships lose sales, salespersons staff lose salary commissions and the state loses sales tax. CARA has proposed as part of this legislative remedy to maintain at no cost to the state a separate EZ-Temp system that is successfully used in other states that will not interfere with CIVILS to manage temporary registrations.

The proposal before you will also end a highly discriminatory system that hits mostly economically challenged consumers who are most likely to be rejected and prevented from obtaining a new car because of a tax issue at the local level. CARA recently met with the Hartford area chapter of the Connecticut Tax Collectors Association to discuss our proposal. Not surprising, the tax collectors were opposed to our wish to be removed from this process. Paraphrasing a statement by one attendee tax collector from a suburban Hartford area town we were told: **"these people" have delinquent taxes because they are living beyond their means and they should pay up rather than buy a new or used vehicle.** I strongly disagree with this proposition, especially during these difficult economic times. Automobiles are a necessity and often times are needed for families to function and for people to get to work to earn a living.

I have set forth below proposed language to address this issue, a summary of the expected revenue gain to the state and municipal impact of this proposal.

The proposed legislation

CARA requests that CGS Sec. 14-33. Renewal of registration denied for failure to pay motor vehicle property tax or fines for parking violations. Collection of delinquent property tax by commissioner. Issuance of temporary registrations by city, town, borough or other taxing district.

be amended by adding the following language:

Notwithstanding Sec. 14-33, the Commissioner of DMV shall issue a 14 day temporary vehicle registration certificate and non permanent marker plate to any person for a newly purchased motor vehicle, when such person owes delinquent local property taxes on automobiles. The commissioner shall assess a fee for such certificate.

State Fiscal Impact

CARA estimates that the state realizes (minimally) an additional \$4.8 million dollars annually in sale tax and \$150,000 in fees.

In March of 2012, prior to the DMV ban on temporary registrations, dealers issued 60 day temporary registrations certificates for sale such vehicles which resulted in \$800,000 in sales tax to the state being collected. March is traditionally a slow month for auto retailing. It is estimated 1/2 of these consumers eventually paid the property taxes that were owed within the 60 day time frame and a permanent registration.

The other 50 % of consumers with delinquent taxes did not resolve the tax issue and were thus denied a permanent registration. Given this assumption, had the temp registration ban been in effect in March of 2012, half these consumers would not have purchased vehicles and the state would not have received the \$400,000 in sales tax.

Prior to the July 2012 ban, the Dealer on Line System (DOLS), issued 60 day temps that annually generated about \$12-\$15 million dollars in sales tax. Remember each month is slightly different as consumers buying habits vary seasonally. Dealerships have reported to CARA that 1/2 the consumers (predominately used vehicle sales) now rejected prior to the sale do not return to purchase vehicles and thus 1/2 the sales tax revenue is never collected. This results in an annualized estimated state sales tax revenue loss of \$6 million.

Municipal Impact

This bill would enhance a town's enforcement of collection efforts for local property taxes under 14-33 by providing access to a real time list of local delinquent tax payers with expired 14 day temporary registration plates. In the event that the statute is changed per our amendment to allow

a 2 week grace period many consumers will likely purchase vehicles and pay the sales tax. There is no guarantee however that once the vehicles are purchased that they will all pay the property tax.

However, the existing CARA Dealer online registration can be modified, at no cost to the state, with the E-Z temp paper plate system used successfully in other states. When E-Z temp plates expire local authorities will be in a better position than at present, to collect local taxes. A FREE web based town-by town, local address and expiration date specific list of delinquent taxpayers with expired 14 day paper plates will be available. All state and local enforcement authorities such as marshals, municipal agents, DMV and police will have access to this list. This E-Z temp system has been very successful in other states and will be implemented and available without cost to the state or towns.

The 265 CARA dealers ask you to support this bill.